

BEFORE THE
ILLINOIS COMMERCE COMMISSION

IN THE MATTER OF:)
)
US TELEPACIFIC CORP. d/b/a)
TELEPACIFIC COMMUNICATIONS)
) No. 00 -0341
Application for a certificate of)
local and interexchange authority to)
operate as a reseller and)
facilities-based carrier of)
telecommunications services throughout)
the State of Illinois.)
)

Chicago, Illinois
October 25, 2000

Met, pursuant to notice.

BEFORE:

Ms. Erin O'Connell-Diaz,
Administrative Law Judge.

APPEARANCES:

MR. KENNETH K. OKEL
for TelePacific Communication;

MS. JUDITH MARSHALL
527 East Capitol Avenue
Springfield, Illinois 62497
for staff.

SULLIVAN REPORTING COMPANY, by
FRANCISCO E. CASTANEDA, CSR,
License No. 084-004235

I N D E X

Witnesses:	Direct	Cross	Re - direct	Re- cross	By Examiner
Ms. Jane Delahanty		50			
Ms. Christine Klimczak		54			

E X H I B I T S	
APPLICANT'S For Identification	In Evidence
Petitioner's E	44
H and I	47

JUDGE O'CONNELL-DIAZ: Pursuant to the direction of the Illinois Commerce Commission, I now call Docket No. 00-0341, and this is in the application for a certificate of interstate and local exchange service authority to operate as a provider of resold and facilities-based telecommunications services within the State of Illinois for U.S. TelePacific Corporation d/b/a TelePacific Communications.

May I have the appearances for the record, please.

MR. OKEL: Yes, your Honor. My name is Kenneth K. Okel. That's, O-k-e-l. I'm the vice president and general counsel of TelePacific Communication.

With me is Christine Klimczak. That's K-l-i-m-c-z-a-k, who's the company's controller. And also on the call is Jane Delahanty. That's D-e-l-h-a-n-t-y, who's the assistant vice president of regulatory affairs.

MS. JANE DELAHANTY: It's actually D-e-l-a-h-a-n-t-y.

MR. OKEL: Sorry.

JUDGE O'CONNELL-DIAZ: Okay. Are those all the appearances besides Springfield? I meant at the --

MS. MARSHALL: I just --

JUDGE O'CONNELL-DIAZ: I just want to establish that we have all the appearances at the company's side of the --

MR. OKEL: Yes, your Honor, that's correct.

JUDGE O'CONNELL-DIAZ: Okay.

Springfield?

MS. MARSHALL: Yes. Judith Marshall for the telecommunications division of the Illinois Commerce Commission, 527 East Capitol Avenue, Springfield, Illinois.

JUDGE O'CONNELL-DIAZ: Okay. Let the record reflect that this is a continuation of the hearing and it's my understanding that staff had some outstanding questions with regard to certain aspects of the company's filing.

Ms. Marshall?

MS. MARSHALL: Yes. I issued some data requests, and I suppose that I should ask as a preliminary matter whether the company intended to introduce any

of these responses as exhibits.

MR. OKEL: I think that, your Honor, the one item that we reserved a ruling on last time was Exhibit E, the financial data, that we submitted with the application because that was, I believe, the principal area of concern; and you said you would defer that ruling until staff had an opportunity to review the material more thoroughly. There was some mix-up in terms of sending out the staff as I recall.

And I gather the -- I believe the financial data, which was part of the application, there was no -- it was not received into evidence. We would propose -- certainly offer that document into evidence under seal.

MS. MARSHALL: Okay. Now, let me understand what that is. That is the financial statement of the holding company, the parent company?

MR. OKEL: Yes, it is, your Honor.

MS. MARSHALL: I'm sorry, this is Ms. Marshall speaking.

MR. OKEL: Excuse me.

JUDGE O'CONNELL-DIAZ: Mr. Okel, could you help me out here. Was that marked as an exhibit last time?

MR. OKEL: The documents -- it was Exhibit E as applicable to the application was the report and consolidated financial statements years ended December 31 '99 and '98.

JUDGE O'CONNELL-DIAZ: Okay. And that was the Price Waterhouse Coopers confidential document?

MR. OKEL: Yes. And then when we entered the data request, we included six months of unaudited data through June 30th, 2000.

JUDGE O'CONNELL-DIAZ: Do I have copies of that?

MR. OKEL: Yes. We sent a copy of the data request to everybody, and I'm sure you got a copy.

MS. MARSHALL: It should have been in the same package with the letter, I believe, that had the --

JUDGE O'CONNELL-DIAZ: Oh, okay. I see, yes. I'm sorry. Yeah, okay. So --

MR. OKEL: I guess my --

JUDGE O'CONNELL-DIAZ: I think that should not be marked, I think, as Exhibit E because that is a

different -- is that the same?

MS. MARSHALL: Well, it's some of the same and some different.

JUDGE O'CONNELL-DIAZ: So it's different document then.

MR. OKEL: The only differences are, I believe, the six months of unaudited data from the year 2000. The other two documents I believe --

THE COURT: And I did not admit the document that was previously marked as Exhibit E?

MR. OKEL: That's correct.

JUDGE O'CONNELL-DIAZ: Okay. Then let's call this document Exhibit E, and I do have the three copies of it.

Does staff have any objection to what we have now marked as Petitioner's Exhibit E, the admission of that document.

MS. MARSHALL: No.

JUDGE O'CONNELL-DIAZ: Okay. Let the record reflect that Petitioner's Exhibit E, which is the financial information spoken about through the pendency of this proceeding is admitted into

evidence.

(Whereupon, Petitioner's
Exhibit No. E was admitted
into evidence.)

MR. OKEL: Your Honor, could we request that that
be received under seal.

JUDGE O'CONNELL-DIAZ: Yes.

MR. OKEL: Thank you very much.

JUDGE O'CONNELL-DIAZ: And let the record reflect
that that document, Exhibit E, is confidential and
proprietary and will be so marked and held in our
records.

Okay. With that being said, Mr. Okel, is
there anything else that you wish to have included
in the record in this matter?

MR. OKEL: No, your Honor. Again, we -- I think
we've -- we did the -- staff also asked us to
provide a chart of accounts. We would have no
objection to receipt of that, of course, as
confidential, if the staff would like that to be
part of the record.

MS. MARSHALL: Actually, what staff would prefer

probably as the letter of guarantee to be part of the record, and I think that it would probably be useful to the company if they would like to offer the press release that was provided in response to JRM 1.05 because that's a subsequent event to any of these financial statements.

MR. OKEL: We have no objection to that at all, your Honor.

JUDGE O'CONNELL-DIAZ: Okay. Shall we mark that as Petitioner's Exhibit F?

MS. MARSHALL: Are we talking about the press release now or --

JUDGE O'CONNELL-DIAZ: No, wait. Are we -- we have two different documents here, the press release as well as the chart of accounts?

MS. MARSHALL: Well, actually, we have a chart of accounts, we have a press release and we have a letter of guarantee.

JUDGE O'CONNELL-DIAZ: Do I have those documents?

I don't have those document.

MR. OKEL: They were part of the data response. You would have them, your Honor, as part of the

packet.

MS. MARSHALL: The guarantee is the response to JRM 1.04. And then other document is JRM --

JUDGE O'CONNELL-DIAZ: Oh, I have it here.

MS. MARSHALL: Okay.

MR. OKEL: In terms of numbering, your Honor, I believe we -- as part of the application, I think we used through Exhibit G because that was the prefiled testimony of Jane Delahanty; so perhaps we should propose a -- hopefully we're dealing with H and F perhaps -- H and I, excuse me.

JUDGE O'CONNELL-DIAZ: I am -- okay. Just so we're clear for the record, the letter of guarantee, which I guess is addressed to Ms. Caton, it's dated September 26th which is request No. JRM 1.04.

You would like that marked as what, counsel?

MR. OKEL: I believe it would be Exhibit H in order to avoid conflict with the exhibits that are attached to the application.

JUDGE O'CONNELL-DIAZ: Okay. And Exhibit I would be what?

MR. OKEL: It would be response to data request JRM, dash, 1.05. It's a news release entitled telecommunications announces additional 19 million equity investment from three financial institution.

JUDGE O'CONNELL-DIAZ: Okay. I have that.

Okay. Does staff have any objection to those documents being admitted?

MS. MARSHALL: No.

JUDGE O'CONNELL-DIAZ: Okay. Then let the record reflect that these documents are admitted into evidence.

(Whereupon, Petitioner's Exhibit Nos. H and I were admitted into evidence.)

JUDGE O'CONNELL-DIAZ: Okay. Is there anything else, counsel?

MR. OKEL: Not from the company's perspective, your Honor. I believe that's all the documents we're proposing to offer.

JUDGE O'CONNELL-DIAZ: Okay.

MR. OKEL: Although confirming that I understand that all the attachments to the application were

received, except the financials; am I correct in that?

JUDGE O'CONNELL-DIAZ: Well, I have the petition.

MR. OKEL: Yeah.

JUDGE O'CONNELL-DIAZ: Yeah. Okay.

Does staff have cross-examination for -- whose sponsoring these documents?

MR. OKEL: The financial data would be Christine Klimczak who is with me who is the company's controller.

JUDGE O'CONNELL-DIAZ: Okay.

MR. OKEL: The letter of the Exhibit H is signed by Jane Delahanty, so she would be the sponsoring with us there; and she could also answer questions regarding the press release, which is Exhibit I.

JUDGE O'CONNELL-DIAZ: Okay. You kind of went at this backwards. I probably should have had you established that; but since we are dealing with data requests, we won't go through the litany of that.

However, at this juncture, I will swear in the witnesses that will testify this afternoon, I am sure, in response to whatever questions

Ms. Marshall has and I assume that that would be Ms. Delahanty as well as Ms. Klimczak; is that correct?

MR. OKEL: That is correct, your Honor.

JUDGE O'CONNELL-DIAZ: Okay. If they could raise their right hands.

(Witness sworn.)

JUDGE O'CONNELL-DIAZ: Could the first person that's going to -- I guess, Ms. Marshall, do you have cross-examination for the company?

MS. MARSHALL: I do. It's my opinion that Ms. Delahanty would be able to answer all of the questions that I have; but certainly if she chooses, she could refer the questions to Ms. Klimczak.

JUDGE O'CONNELL-DIAZ: Okay. Ms. Delahanty, if you could please state your name for the record, please.

THE WITNESS: My name is Jane Delahanty. I'm assistant vice president of regulatory affairs.

JUDGE O'CONNELL-DIAZ: Okay. Ms. Marshall, do you have cross-examination for Ms. Delahanty?

MS. MARSHALL: Yes, I do.

JANE DELAHANTY,
having been called as a witness herein, after having
been first duly sworn, was examined and testified as
follows:

CROSS-EXAMINATION

BY

MS. MARSHALL:

Q. Ms. Delahanty, I'll refer you first to
what's now been marked as Exhibit E, which is the
financial statements provided in response to staff
data requests.

Is it correct that these financial
statements, first of all, are the financial
statements of the parent company?

A. Correct.

Q. And would it also be correct that no
separate financial statements of the applicant are
available?

A. That's correct.

Q. And then I just wanted to ask you regarding
the unaudited draft data that was provided through
June 2000, is it correct that all the items that are

in real dollars? In other words, they're not thousands or some other --

A. Ms. Marshall, I have to refer you to Ms. Klimczak on that one. She prepared that document.

JUDGE O'CONNELL-DIAZ: Ms. Klimczak, refresh my recollection. Did you sponsor any other testimony in this matter?

MS. CHRISTINE KLIMCZAK: No, I have not.

JUDGE O'CONNELL-DIAZ: Okay. If you could speak up a little bit because I can hardly hear you.

MS. CHRISTINE KLIMCZAK: I have not sponsored any other documentation.

JUDGE O'CONNELL-DIAZ: Okay. If you could please state your name for the record then.

MS. CHRISTINE KLIMCZAK: Christine Klimczak.

JUDGE O'CONNELL-DIAZ: You know what, let's do this: Why don't finish your questions, Ms. Marshall; and if you could reserve that question for Ms. Klimczak and we'll get done with the first witness.

MS. MARSHALL: Yes, that would be fine.

JUDGE O'CONNELL-DIAZ: Okay.

BY MS. MARSHALL:

Q. Then I would also want to refer you to Exhibit I, which is the additional evidence that that you're providing of subsequent events that occurred subsequent to the June 2000 financial statements.

And could you briefly summarize the contents of that press release for the record.

A. I'd be glad to. That press release represents a number of investments that have been made into the company, and it documents those investments which were actually specifically done to fund our expansion into other states.

They include -- if I can find it here -- several companies, one which had originally invested in our company, which is GE Capital.

In addition, we have an investment from the Hilman Company, from Arena Capital Partners, and I believe GE Equity as well.

Q. And these investments are in the form of additional equity; is that correct?

A. That's my understand.

Q. And now referring to the second page of that press release where it discusses TelePacific and it says recently announced on \$125 million equity investment from Invest Corp.

Could you give us any specifics as to that equity investment.

A. That's the larger one. I'm sorry, I forgot Invest Corp. They won't for give me. They actually will be participating in the company that was, I believe, previously announced; so it's mentioned as a former investment, but that's currently -- that investment has been completed in our company and that investment was made for the same purpose, which was to expand the growth of company.

Q. And was that investment completed after the June financial statements?

A. I'll have to defer that question. I'm not sure exactly what the date was.

MS. MARSHALL: Okay. That's all the questions I have for you.

THE WITNESS: Thank you.

JUDGE O'CONNELL-DIAZ: Ms. Klimczak -- or,
counsel, do you have any redirect for that witness?

MR. OKEL: No, I don't, your Honor.

JUDGE O'CONNELL-DIAZ: Ms. Klimczak, you've
already been sworn but if you could please state
your name for the record and your position with the
company.

THE WITNESS: Christine Klimczak, controller.

JUDGE O'CONNELL-DIAZ: Ms. Marshall I understand
has some cross-examination for you.

Ms. Marshall?

MS. MARSHALL: Yes, I have just a few questions

CHRISTINE KLIMCZAK,
having been called as a witness herein, after having
been first duly sworn, was examined and testified as
follows:

CROSS-EXAMINATION

BY

MS. MARSHALL:

Q. Do you have a copy of Exhibit E in front of
you?

A. Exhibit E will be audited financial, yes, I

do.

Q. Okay. And attach at the very end of that exhibit are some confidential unaudited data?

A. Correct.

Q. Including a balance sheet and some income statements and statement of cash flows.

Would it be correct that the amount shown on that are in real dollars?

A. The amounts are in real dollars.

Q. Okay. And then also I had some questions earlier from Ms. Delahanty that she referred to you regarding Exhibit I and specifically regarding the \$125 million equity investment of Invest Corp.

Could you tell us approximately the date when that was completed?

A. Sure. That occurred on -- in April of 2000. So they are reflected in the unaudited financials for the six months ended June 30th, 2000,.

If you were refer to the balance sheet in the packet, within the equity section of the balance sheet, Invest Corp bought into the preferred. . .

JUDGE O'CONNELL-DIAZ: We can't hear you.

Ms. Klimczak, we could not hear you.

THE WITNESS: Okay. On the balance sheet that's attached within the unaudited financials for the June 30th, 2000, six month ended period -- are you there?

Q. I'm there.

A. Okay. On the balance sheet, the total redeemable convertible preferred stock.

Q. And I believe you said earlier that's the Series C.

A. Correct.

MS. MARSHALL: Okay. That's all the questions that I have.

JUDGE O'CONNELL-DIAZ: Counsel, any redirect for that witness?

MR. OKEL: No, your Honor.

JUDGE O'CONNELL-DIAZ: Thank you, Ms. Klimczak.

Ms. Marshall, do you have any other cross-examination for any of the company's witnesses?

MS. MARSHALL: No, I don't.

JUDGE O'CONNELL-DIAZ: Does staff have a

recommendation relative to the application in this matter?

MS. MARSHALL: Yes. At this point staff knows of no reason why this application cannot be granted.

JUDGE O'CONNELL-DIAZ: Okay. Then I will, at this juncture, mark the record heard and taken.

Mr. Okel, for your purposes and your company's purposes, I will endeavor to have this order before the Commission for the next session that I can get it on for, which will be the 21st of November.

And you will receive a copy of the order that is entered by the Commission, assuming that they have no issues, which I'm sure they won't based on my recommendation. You will be receiving a copy of the order from the Commission probably about two weeks after that.

MR. OKEL: Thank you very much, your Honor.

JUDGE O'CONNELL-DIAZ: And I would like to also thank the company for taking care of kind of a rough start that we got in this case, and I do appreciate it; and would like you to know that I do -- I hold

you harmless with regard to this. And you did very well in choosing to proceed with in-house counsel.

I think it went a lot smoother. So thank you very much.

MR. OKEL: Thank you as well.

JUDGE O'CONNELL-DIAZ: Thank you, Ms. Marshall.

MS. MARSHALL: Thank you.

HEARD AND TAKEN